The Uninsured and the Affordability of Health Care

A Presentation to the Joint Committee on Health Care Delivery and Financing

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Who are Maryland's Uninsured?

- Approximately 780,000 Marylanders, including 140,000 children were uninsured at any given point in time (2005 data)
  - 575,000 were uninsured for the entire year
- Key facts about the uninsured:
  - The majority are young and healthy
  - Small businesses have a disproportionate share of uninsured workers
  - 83% live in families with at least on adult worker
  - 44% are single adults with no children
  - 47% have family incomes below 200% FPL (approx. $40,000 for a family of 4)
    - 35% have family incomes above 300% FPL (approx. $60,000 for a family of 4)
  - 27% are not US citizens
  - 39% of Maryland's Hispanic population and 19% of its African-American population are uninsured
- Being uninsured reduces access to health care and contributes to poor health
- Care is often provided in the most expensive setting with the least continuity of care – the Emergency Department
- We all pay the cost of caring for Marylanders who either cannot afford or choose not to get health insurance

Source: *Health Insurance Coverage in Maryland Through 2005*. Maryland Health Care Commission. (Jan. 2007)

Cost of the Uninsured

- **Direct costs – estimated at $1.8 billion**
  - Maryland State government
    - increased hospital rates — $34 million
    - state public and mental health programs — $439 million
  - Federal government
    - increased hospital rates — $239 million
    - share of public/mental health programs and FQHCs — $195 million
  - Local government — $14 million
  - Health plans – increased hospital rates — $165 million
  - Private physicians – uncompensated care — $295 million
  - Out of pocket payments by the uninsured — $445 million
- **Indirect costs – estimated at $1.4-$2.9 billion**
  - poorer health, less productivity
- **Premiums for family coverage were estimated to be $948 higher because of uncompensated care in 2005**

Covering the uninsured requires *new* money, not just redirected "savings"

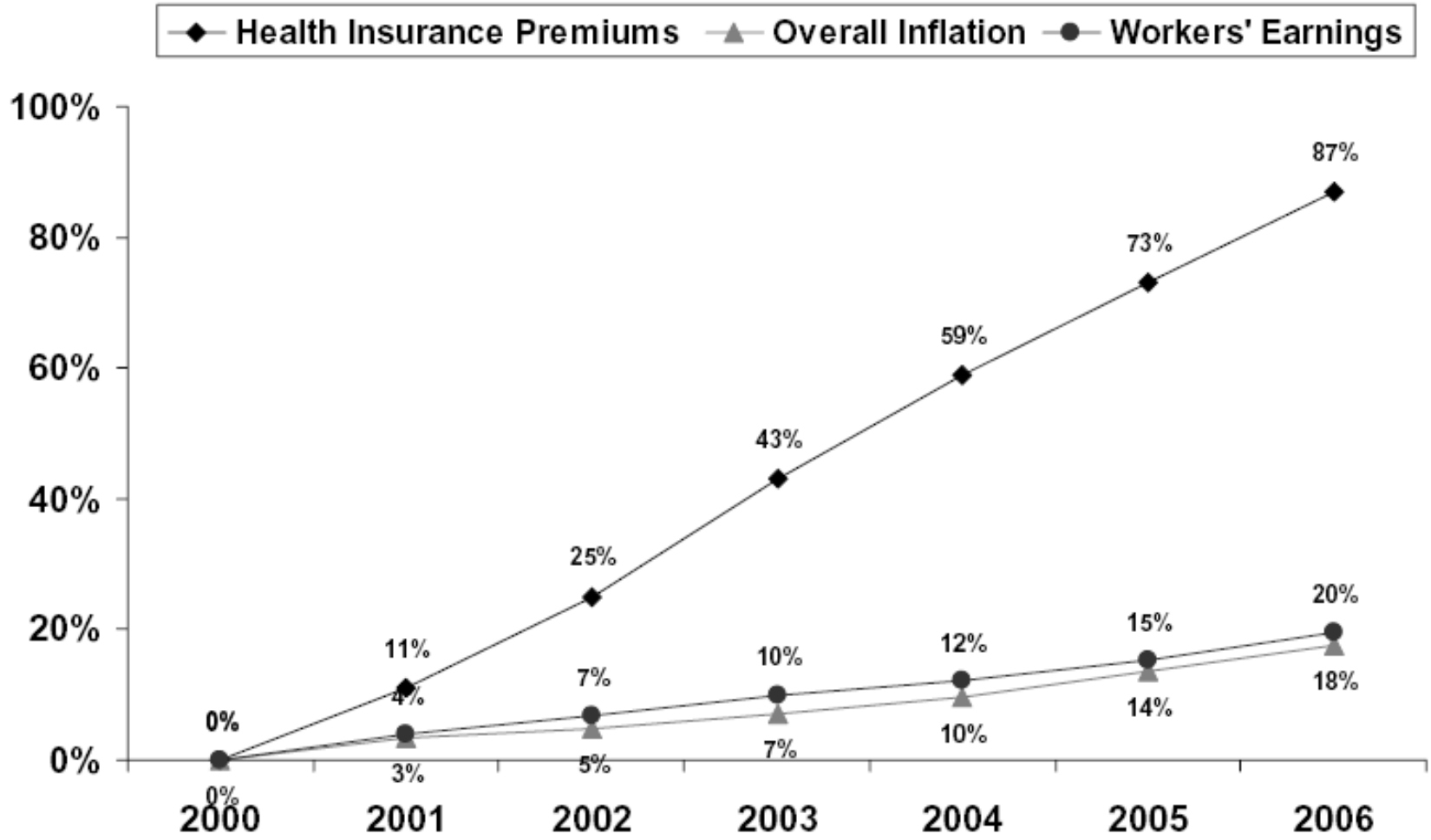
Source: *The Costs of Not Having Health Insurance in the State of Maryland*. Maryland HRSA State Planning Grant. (2002 estimates projected to 2007). *Paying a Premium: The Added Cost of Care for the Uninsured in Maryland*. Families USA. (June 2005)

Health Care Spending

- Health care spending increased to $30.2 billion in 2005
  - An increase of $2.1 billion (7%) from 2004
- Since 2001, total health care spending increased at an average annual rate of 8%
- Hospital spending totaled $10.3 billion in 2005
  - 41% of the $2.1 billion in new spending
- Medicare (21%) and Medicaid (18%) account for 39% of health care spending in 2005
- Consumer out-of-pocket spending increased 6% from 2004-2005, slightly less than the 8% rate of growth in private insurance spending

Source: *2005 State Health Care Expenditures.* Maryland Health Care Commission. (Feb. 2007)

Cumulative Changes in Health Insurance Premiums, Overall Inflation, and Workers' Earnings 2000 - 2006



Note: Data on premium increases reflect the cost of health insurance premiums for a family of four.

Source: KFF/HRET Survey of Employer-Sponsored Health Benefits, 2001-2006; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 2001-2006; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April), 2001-2006.

Average Premium in Maryland's Small Group Market (2006)

	Employee only	Family
HMO – core	$2,883	$7,616
HMO – with riders	$3,889	$10,275
PPO – core	$2,433	$6,470
PPO – with riders	$4,999	$13,296

Premium Comparisons for <50 Employees in Neighboring States (2004)

Annual Premium	DC	DE	MD	PA	VA
Individual Premium	$4,269*	$4,204	**$3,838**	$3,813	$4,219
Family Premium	$11,848*	$10,847	**$10,231**	$10,849	$9,831

*Statistically different from Maryland with 90% CI.

Source: Medical Expenditure Panel Survey – Insurance Component (2004)

MHCC Initiatives Under Way

- Quality, Outcomes, and Value Initiatives
  - Creation of Maryland Patient Safety Center
  - Expanded health plan evaluations
  - Expanded quality measures
  - Price transparency
- Health Information Technology
  - Task Force on Electronic Health Records
  - Health Information Exchange
- Small Group Market
  - Increased flexibility in design and pricing
  - Greater choice for employers (and employees)
  - Introduction of high deductible plans
  - Increased competition

The Starting Point for State Reforms:
If you've seen one state...

Non-elderly in 2004	MD	MA	CA	U.S.
Percent Uninsured	16.3%	13.1%	20.7%	17.8%
Percent with ESI	69.2%	69.4	55.6%	63.2%
Percent on Medicaid	8.1%	14.5%	16.8%	13.3%
Medicaid Eligibility Levels				
Parents ***Pregnant Women*** ***Children (<19)*** ***SCHIP (children <19)***	***39%*** ***250%*** ***200%*** ***300%***	***133%*** ***200%*** ***150%*** ***300%***	***107%*** ***200%*** ***(1-5) 133%*** ***(5-19) 100%*** ***250%***	
Percent Under 250% FPL	29.5%	28.7%	42.8%	38.8%
Percent Under 250% Who Are Uninsured	32.5%	22.4%	31.6%	29.3%
Percent Who Are Uninsured & Under 250% FPL	9.6%	6.4%	13.5%	11.4%

Source: U.S Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 2005.

Key Questions for Policymakers

- Is near universal coverage a key goal?
- What are the responsibilities of the individual?
  - Maintain insurance –at higher incomes or universally?
  - Engage in wellness and prevention activities
  - Participate more actively in health and health care decisions
- What are the responsibilities of the employer?
  - Play or pay?
  - Choose coverage or provide defined contribution?
  - The challenge of ERISA
- What are the responsibilities of government?
  - Fund the delivery of health care to all?
  - Support those most in need?
- Do individuals have a choice of plans?
  - If so, do they have better ways to comparison shop?
  - If so, are there ways to address adverse selection?
- Are there meaningful ways to control costs and improve value?

Reform Challenges

- Assuring a Viable Risk Pool
- Getting the Incentives Right
- Targeting Subsidies Effectively
  - Limit subsidy to currently uninsured?
  - Subsidize specific markets?
  - Subsidize employer rather than employee?
  - Subsidize only low income individuals and families?
- Crafting an Affordable Plan
  - Defining core benefits
    - Requires restraint in breadth of benefits
    - May be enhanced by high performance networks
  - Defining affordability
    - With/without a subsidy?
- Addressing Stakeholders' Interests and Concerns
- Allocating the cost of health care fairly
  - The healthy and the sick
  - The young and the old
  - The rich and the poor
- At What Cost?

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